



Asian Development Bank

Southeast Asia Department

25 June 2007

Mr. Rahmad Waluyanto
Director General of Debt Management
Ministry of Finance
Jl. Lapangan Banteng Timur 2-4, Jakarta
Tel: (6221) 3500-841 / Fax: (6221) 38406635

Re: Amendments to Rebate and Surcharge Provisions of Loan Agreements

Dear Mr. Waluyanto;

1. In October 2006, the Board of Directors of the Asian Development Bank (ADB) approved changes to the calculation of rebates and surcharges under ADB's LIBOR-based loans, as proposed in *Enhancements for the Asian Development Bank's Loan and Debt Management Products* (R221-06, 10 October 2006). These changes adopt a "forward" approach to rebate/surcharge application, providing that rebates and surcharges are to be applied to the upcoming interest period. Presently ADB's LIBOR-based loans provide for retroactive rebate/surcharge application to the previous interest period.

2. To give effect to the changes approved by the Board, it is necessary to amend each of the Loan Agreements between the Republic of Indonesia and ADB (as amended or supplemented from time to time, the Loan Agreements) listed in Appendices 1 – 5 to this letter with the amendments set forth therein. In all other respects the Loan Agreements remain unchanged.

3. Please indicate your agreement to the amendments to each of the Loan Agreements by signing in the space indicated below on the two original counterparts of this letter. We request that you return one signed original counterpart to ADB, for the attention of Ms. Hazel Lleit, Senior Finance Assistant, Office of the General Counsel. Please retain the other signed original counterpart for your records.

4. The amendments will take effect as of 1 July 2007, following receipt by ADB of a signed original counterpart. If you have any questions please contact Ms. Hazel Lleit, Senior Finance Assistant on +632-632-5077 or at hllemit@adb.org.

Yours Sincerely,

for

Arjun Thapan

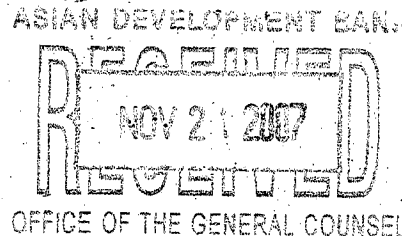
Mr. Lukita Dinarsyah Tuwo
Deputy Chairman for Development Financing, BAPPENAS
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ACKNOWLEDGED AND AGREED:

Republic of Indonesia

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Signature



Name

Rahmat Waluyanto

Designation

Director General of Debt Management

Date

November 16, 2007

Appendix 1

Amendments to Loan Agreements

Section 1.01 of the following Loan Agreements is deleted in its entirety and a new Section 1.01 as set forth below is substituted therefor:

Loan No.	Title	Date Signed
1982-INO	Renewable Energy Development Sector Project	10 November 2003
1983-INO	Power Transmission Improvement Sector Project	10 November 2003
2065-INO	Participatory Irrigation Sector Project	2 February 2005
2072-INO	Neighborhood Upgrading and Shelter Sector Project	9 September 2004
2074-INO	Second Decentralized Health Services Project	16 December 2004
2163-INO	Community Water Services and Health Project	27 December 2005
2184-INO	Road Rehabilitation – 2 Project	16 June 2006

Section 1.01 All the provisions of the Ordinary Operations Loan Regulations Applicable to LIBOR-Based Loans Made from ADB's Ordinary Capital Resources, dated 1 July 2001, are hereby made applicable to this Loan Agreement with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications thereof (said Ordinary Operations Loan Regulations as so modified being hereinafter called the Loan Regulations):

(a) Section 3.06 of the Loan Regulations is deleted in its entirety and the following is substituted therefor:

Section 3.06. Rebate.

(a) Following any announcement by ADB that the Fixed Spread applicable to new Loans shall be reduced, ADB shall provide a Rebate to any Borrower with an outstanding Loan on which a higher Fixed Spread is applicable. The amount of the Rebate shall be determined by multiplying (i) the difference between the Fixed Spread applicable to the outstanding Loan and the Fixed Spread that will be applied to new Loans (expressed as a percentage per annum), by (ii) the principal amount of the outstanding Loan on which the Borrower shall pay interest for all interest periods commencing on and after the effective date of the lower Fixed Spread that will be applied to new Loans.

(b) Following any announcement by ADB that its Funding Cost Margin calculations with respect to any Loan Currency (or Approved Currency) in any Semester resulted in ADB achieving savings, ADB shall provide a Rebate to the Borrower. The amount of the Rebate shall be determined by multiplying (i) the Funding Cost Margin (expressed as a percentage per annum) by (ii) the principal amount of the Loan on which the Borrower shall pay interest for the Interest Period commencing immediately after the Semester for which the Funding Cost Margin was calculated. ADB shall apply the amount of the Rebate against the

interest payable by the Borrower for the Interest Period commencing immediately after the Semester for which the Funding Cost Margin was calculated.

(b) Section 3.07 of the Loan Regulations is deleted in its entirety and the following is substituted therefor:

Section 3.07. Surcharge.

(a) Following any announcement by ADB that the Fixed Spread applicable to new Loans shall be increased, any Borrower with an outstanding Loan on which a lower Fixed Spread is applicable shall pay ADB a Surcharge. The amount of the Surcharge shall be determined by multiplying (i) the difference between the Fixed Spread that will be applied to new Loans and the Fixed Spread applicable to the outstanding Loan (expressed as a percentage per annum), by (ii) the principal amount of the outstanding Loan on which the Borrower shall pay interest for all interest periods commencing on and after the effective date of the higher Fixed Spread that will be applied to new Loans.

(b) Following any announcement by ADB that its Funding Cost Margin calculations with respect to any Loan Currency (or Approved Currency) in any Semester resulted in ADB incurring additional costs, the Borrower shall pay ADB a Surcharge. The amount of the Surcharge shall be determined by multiplying (i) the Funding Cost Margin (expressed as a percentage per annum) by (ii) the principal amount of the Loan on which the Borrower shall pay interest for the Interest Period commencing immediately after the Semester for which the Funding Cost Margin was calculated. ADB shall add the amount of the Surcharge to the interest payable by the Borrower for the Interest Period commencing immediately after the Semester for which the Funding Cost Margin was calculated.